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C O N F I D E N T I A L KUWAIT 001734

SIPDIS

SENSITIVE

EB/ESC/TFS MSIDDIQUI, S/CT TKUSHNER, NEA/ELA DBARON  
NEA/ARPI TWILLIAMS, NEA/I-ECON K. BRONSON, IO/PSC  
JSCHWEITZER  
NSC FOR JKEMERSON  
TREASURY FOR JZARATE, OFAC RWERNER  
MANAMA FOR JBEAL  
TREASURY FOR DGLASER, RLEBENSON, MEPSTEIN

E.O. 12958: DECL: 04/27/2015

TAGS: EFIN PTER KTFN KU

SUBJECT: TREASURY DAS GETS THE COMMERCIAL VIEW ON TERRORIST FINANCING IN KUWAIT

Classified By: DCM Matthew H Tueller for reasons 1.4 (b) and (d)

¶1. (SBU) On April 16, 2005 Treasury DAS Daniel Glaser attended a dinner hosted at the DCM's residence. Several key members of Kuwait's commercial banking sector attended and over the course of the evening terrorist financing and the Central Bank's regulations to monitor banking transactions were discussed. When asked their opinions on the Central Bank's regulations all of the bankers responded that while the regulations were tough and inevitably annoying, they were fair and justified nonetheless.

¶2. (C) With regard to Islamic Banking, one of the banking guests commented that Islamic Banking in Kuwait has traditionally been run by a spectrum of ideologically conservative to extremist Islamists who cater to the same kind of customer. In contrast, the non-sectarian banks have traditionally served the more moderate elements of society, he said. The general Islamicization of Kuwaiti society has pushed people to demand more Islamic banking products and venues, he added, and that preachers in the mosques and educators in the school system urge people to conduct their business in Islamic banks. As a result of this trend, the banking manager concluded, the non-sectarian banks have been pushed to open their own Islamic finance departments. (Note: Currently in Kuwait there are two Islamic banks, the Kuwait Finance House and the new Bubiyan bank. The Kuwait Real Estate Bank is converting into an Islamic Bank. End Note). The bankers and DAS Glaser agreed that there is nothing about Islamic financial products which makes them inherently more susceptible to abuse by terrorist financiers.

¶3. (SBU) At the end of the evening an invitation was issued by Mr. Ibrahim M. Ibrahim, General Manager, International Banking Division at the Al-Ahli Bank of Kuwait (ABK), to tour the bank's Risk Management Department to see how it complies with the Central Bank's regulations.

¶4. (SBU) The DAS met with Ibrahim and his Risk Management Department on April 17 to discuss the bank's practices on monitoring transactions. ABK uses a software package, RiskSecure (TM), to help manage its workflow. With this system, using parameters set by the bank, suspicious transactions and all transactions over 3000KD (USD 10,270) will be flagged for review by ABK's Risk Management Department. The review must be conducted within two hours of the transaction being flagged. As part of their "know your customer" practices, Ibrahim explained, all new customers are checked against four separate databases prior to the bank allowing them to open new accounts, also through the RiskSecure system. The databases checked against include those maintained by: OFAC, the Kuwait Central Bank, the United Nations and WorldCompliance (Politically Exposed Persons).

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LEBARON